

# BUDGET LETTER

SUBJECT: 2006-07 PRICE LETTER	NUMBER: 05-22
	DATE ISSUED: August 15, 2005
REFERENCES: BUDGET LETTER 05-04 GOVERNMENT CODE SECTION 13308.05	SUPERSEDES: BL 04-22 AND 04-32

TO: Agency Secretaries  
Department Directors  
Departmental Budget Officers  
Departmental Accounting Officers  
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

In order to prepare a workload budget as defined in Government Code Section 13308.05, the Department of Finance (Finance) has determined that departmental budgets should include, as baseline adjustments, funding for price increases.

Government Code Section 13308.05 authorizes a baseline adjustment for price increase in the budget year only. The base that departments are to use for purposes of calculating the price increase adjustment is total operating expenses and equipment expenditures authorized in the 2005 Budget Act after removing major one-time expenditures. Departments may then apply to this base amount the U.S. state and local implicit deflator of 3.1 percent. If a department can justify that another methodology may be more appropriate in calculating its budget year price increase, it should submit a Budget Change Proposal fully documenting the need.

In order for these adjustments to be included in the Planning Estimates as baseline adjustments, departments must provide the adjustment for price increase along with any necessary back-up information to their respective Finance Budget Analyst by September 13, 2005. (This new deadline supersedes that in Budget Letter 05-04.) The back-up information must also include a split of the price increase by item of appropriation.

The price adjustment factors included in Attachment 1 are provided for departments' planning and detailed budget-building purposes only. The population projections on Attachment 2 are based on May Revision estimates; updated population data will be available in November.

The Price Letter does not cover the prices of goods and services that are included in the Department of General Services' (DGS) **2005-06 Price Book and Directory of Services**, which is available from the Office of Fiscal Services' website at <http://www ofs.dgs.ca.gov/Price+Book/Default.htm>. Only current year rates are included on this website in keeping with the agreement between Finance and DGS, which was also ratified by the Legislature. Beginning with the 2005-06 rates, DGS service rates are now submitted for Finance review and oversight through the Governor's Budget development process each year. Final 2006-07 rates will be updated and available on the DGS's website in July 2006, pending legislative approval. If you have any questions regarding the Price Book, please contact DGS, Office of Fiscal Services, Budget and Planning Section, 707 3<sup>rd</sup> Street, West Sacramento, Sacramento, CA 95605, or call Ms. MaryAnn Dewitt at (916) 376-5133.

/s/ Veronica Chung-Ng

Veronica Chung-Ng  
Program Budget Manager

Attachments

PRICE LETTER STANDARDS  
2006-07

PRICE ADJUSTMENT FACTOR SUMMARY  
(See following text for specific instructions)

UCM Code	Line-Item Object	2005-06 <sup>a</sup>	2006-07 <sup>a</sup>
Personal Services			
103103	OASDI	6.2% on wage ceiling of \$91,500 <sup>b</sup>	6.2% on wage ceiling of \$94,800 <sup>b</sup>
103137	Medicare	1.45% no wage ceiling	1.45% no wage ceiling
103105	Health Benefits-Public Employees	CalPERS HMO rates will increase by 8.7% on January 1, 2006. Funding for these changes will be addressed in a subsequent Budget Letter.	
103107	Retirement-Public Employees	7%	7%
		Budget instructions for this item will be provided in a forthcoming Budget Letter.	
Operating Expenses			
311223	Library Purchases		
	Monographs	-1.3%	-1.6%
	Subscriptions	-1.8%	2.7%
	Serial Services	-1.3%	3.5%
313257	Telephone	c, d	c, d
314261	Postage	d	d
317292	In-State Travel Per Diem	d	d
324362	Electricity	d	d
324363	Natural Gas	+30.4%	+26.8%
324364	Liquid Petroleum Gas	+5.8%	-0.9%
325396	Attorney General Services		
	Attorney Services	d	d
	Paralegal Services	d	d

<sup>a</sup> Percentage change over 2004-05, unless specified otherwise.

<sup>b</sup> The tax base for the calendar year 2005 is \$90,000. While official wage bases for the coming years were not finalized by the Social Security Administration at the time this letter was prepared, estimated wage bases of \$93,000 and \$96,600 are used for calendar years 2006 and 2007, respectively, for planning purposes.

<sup>c</sup> Budget at July 1, 2005 rates.

<sup>d</sup> See following text.

UCM Code	Line-Item Object	2005-06 <sup>a</sup>	2006-07 <sup>a</sup>
<b>Operating Expenses</b>			
328428	Consolidated Data Center	d	d
333503	Clothing and Personal Supplies	-0.5%	1.4%
333504	Medical Care	4.1%	7.8%
333506	Foodstuffs	2.7%	5.1%
333513	Laundry <sup>e</sup>		
	General Linen	32¢/lb.	d
	Personal Clothing	34¢/lb.	d
	California Consumer Price Index - All Urban Consumers	2.6%	5.0%

### OPERATING EXPENSES

### TELEPHONE

Telephone rates for services subscribed to under provisions of the CALNET services contract are subject to change predicated on the Department of Technology Services' (DTS) continued efforts to work with the Contractor to ensure service pricing remain competitive throughout the term of the Agreement. The DTS, in cooperation with the Department of General Services (DGS), intends to award a new telecommunications service contract in December 2006 concurrent with the expiration of CNT-001 (CALNET services contract).

### POSTAGE

Departments are advised that in April 2005, the United States Postal Service filed a request with the Postal Rate Commission to raise the postal rates an almost-uniform 5.4 percent for most of its services. Under this proposal, the price of sending a First Class letter would increase from the current 37 cents to 39 cents. According to the United States Postal Service, if this proposal is favorably recommended by the Postal Rate Commission, new rates would be implemented no earlier than January 2006. Until this proposal is finalized, departments are advised to budget postage for 2005-06 and 2006-07 at the current postal rates. Current rate schedules are available at most post office branches, as well as the United States Postal Service's own website at <http://www.usps.com/>.

Current major postage rates, effective since June 30, 2002, are as follows:

First-Class letter: 1 oz.	37 cents
Postcard	23 cents
Priority Mail (1lb.):	\$3.85
Express Mail: ½ lb.	\$13.65

<sup>a</sup> Percentage change over 2004-05, unless specified otherwise.

<sup>d</sup> See following text.

<sup>e</sup> Prices do not include transportation charges, which are based on mileage. See following text for detail.

## IN-STATE TRAVEL PER DIEM

For 2005-06 and 2006-07, the reimbursement for lodging, meals and incidentals, and mileage should be budgeted as follows:

### **Lodging –**

### **For each 24-hour period**

- Alameda, San Francisco, San Mateo  
Santa Clara

- With receipt
- Without receipt

up to \$140.00 plus tax  
\$0.00

### **Lodging –**

- Los Angeles and San Diego County

- With receipt
- Without receipt

up to \$110.00 plus tax  
\$0.00

### **Lodging –**

- All other counties

- With receipt
- Without receipt

up to \$84.00 plus tax  
\$0.00

### **Lodging –**

- Conference/Conventions

- Non-State sponsored, with prior written approval of appointing power, with receipt
- State-sponsored, with prior written approval of appointing power, with receipt

no maximum

up to \$110.00 plus tax

### **Meals and Incidentals**

up to \$6.00 for breakfast  
up to \$10.00 for lunch  
up to \$18.00 for dinner  
up to \$6.00 for incidentals

### **Mileage**

\$0.34 per mile

The aforementioned amounts reflect the current reimbursement rates for excluded and represented state employees.

Departments are advised to use the above rates for budgeting purposes until the Department of Personnel Administration provides notification of any changes that result from collective bargaining. Actual rates are determined by collective bargaining agreements and may vary by bargaining unit.

## HEAT, LIGHT, AND POWER

### Electricity

All the major electric utilities have several rate schedules, which are based upon the customer's maximum kilowatt demand and tend to increase costs to the customer as maximum demand increases. Departments should verify that they are being billed on the correct schedule and make every reasonable effort to reduce their maximum demand. The utilities are willing and able to offer advice in this area.

Based on the California and Western Electricity Supply Outlook (Staff Report) issued by the California Energy Commission in July 2005, the overall electrical rates charged by major investor-owned utilities are expected to change over 2004-05 as follows:

	2005-06	2006-07
Pacific Gas & Electric Company	-0.06%	-2.98%
Southern California Edison	+5.56%	+9.96%
San Diego Gas and Electric Company	-0.52%	-1.61%

### Natural Gas

Natural gas should be budgeted for 2005-06 and 2006-07 at 30.4 percent and 26.8 percent, respectively, above 2004-05 actual expenditures.

### Fuel Oil and Liquefied Petroleum Gas

Departments are advised to budget liquefied petroleum gas for 2005-06 and 2006-07 at 5.8 percent above and 0.9 percent below 2004-05 actual expenditures, respectively. Departments should budget fuel oil at current market rates.

## ATTORNEY GENERAL'S LEGAL SERVICES RATE

Departments are advised to budget Attorney Services and Paralegal Services at \$146 per hour and \$92 per hour, respectively, for 2005-06. At the time this BL was prepared, the Attorney General's legal services rates for 2006-07 were not available.

## CONSOLIDATED DATA CENTER SERVICES

Effective July 9, 2005, the Stephen P. Teale Data (TDC), Health and Human Services Agency Data Center (HHSDC), and the Department of General Services, Office of Network Services were consolidated into the Department of Technology Services. The three sites are referred to as the Gold Camp, Cannery and Sequoia-Pacific campuses respectively. The new website for the Department of Technology Services (DTS) is [www.dts.ca.gov](http://www.dts.ca.gov). The rates previously charged by each campus continue to be used for their respective customers except for the changes communicated in the July 25, 2005, memorandum to all DTS customers. Because departments typically have very different usage patterns, they are advised to consult the Department of Technology Services billing rates schedule to estimate data processing costs and develop budgets for 2005-06 and 2006-07 accordingly.

For departments that use CALSTARS running on HHSDC's data processing systems, suggested amounts for their 2005-06 interagency agreements have been developed and forwarded to those departments. As a whole, CALSTARS departments can expect a 2.4 percent decrease in CALSTARS costs in 2005-06, although changes in costs for individual departments may vary.

## **CLOTHING**

Clothing and personal supplies should be budgeted for 2005-06 and 2006-07 at 0.5 percent below and 1.4 percent above 2004-05 actual expenditures, respectively.

## **MEDICAL CARE SUPPLIES**

Departments should budget contract items at current prices. Budget the remaining items for 2005-06 and 2006-07 at 4.1 percent and 7.8 percent, respectively, above 2004-05 actual expenditures.

## **FOODSTUFFS (FEEDING)**

Budget feeding costs for 2005-06 and 2006-07 at 2.7 percent and 5.1 percent, respectively, above 2004-05 actual expenditures.

## **LAUNDRY**

Laundry prices for departments served by state correctional institutions should be budgeted as follows:

<b>Service</b>	<b>2005-06</b>
General Linen	32¢/lb.
Personal Clothing	34¢/lb.

Based on projected cost of providing laundry services for 2006-07, laundry prices are estimated to increase. However, at the time this letter was prepared, the Prison Industry Authority had not determined the estimated increases for 2006-07.

These prices do not include mileage-based transportation costs, which are as follows:

<b>Round Trip Mileage</b>	<b>Charge Per Trip</b>
1-25	\$100.00
26-50	190.00
51-75	265.00
76-100	325.00
101-125	375.00
126-150	415.00
151-175	485.00
176-200	550.00
201-225	610.00
226-250	665.00
251-300	800.00
301-350	930.00

## OVERALL CONSUMER PRICE INFLATION

The Economic Research Unit of Finance forecasts the California Consumer Price Index for all urban consumers (CPI-U) and several other price indexes in May, September and December. The most current (April 2005) California CPI-U forecast predicts that overall consumer prices will rise by 2.6 percent and 5.0 percent in 2005-06 and 2006-07, respectively, over 2004-05. However, departments are advised that while the CPI-U is believed to represent *overall* consumer prices, this index may be inappropriate for use in predicting the inflation trends for certain types of purchases. Furthermore, it is suggested that departments wishing to use CPIs to help forecast their expenditures contact the Economic Research Unit at (916) 322-2263 for the most recent available forecast.

## POPULATION

California's total population on July 1, 2005, is projected at 37,091,000—an increase of 539,000 over the number residing in the state on the same date last year. Civilian population on July 1, 2005, the essential figure for most budget computations, is 36,934,000. This represents a growth of 542,000 over the past 12 months. Current projections for mid-2006 place the total population at 37,637,000—an increase of approximately 1.5 percent for total population from the preceding July 1. The total population as of July 1, 2007, is expected to be 38,193,000, of which 38,036,000 would be civilians. These data are summarized in Table 1.

Table 1. ESTIMATED POPULATION OF CALIFORNIA, 2003-2007  
(in thousands)

July 1	Total Population	Civilian Population	One-year change	
			Total	Civilian
2003	35,990	35,832	---	---
2004	36,552	36,392	562	560
2005	37,091	36,934	539	542
2006	37,637	37,480	546	546
2007	38,193	38,036	556	556

Table 2 shows the civilian population for the years 2003-2007 distributed by five-year age groups. This distribution is based upon the results of the April 1, 2000, decennial census, Department of Finance estimates, and the most recent Department of Finance projection series.

Table 2. ESTIMATES OF CALIFORNIA'S CIVILIAN POPULATION BY AGE  
(in thousands)

Age in Years	7/1/2003	7/1/2004	7/1/2005	7/1/2006	7/1/2007
0-4	2,552	2,614	2,674	2,708	2,750
5-9	2,609	2,562	2,524	2,527	2,546
10-14	2,826	2,843	2,827	2,794	2,751
15-19	2,594	2,668	2,755	2,840	2,911
20-24	2,518	2,552	2,576	2,601	2,637
25-29	2,528	2,552	2,578	2,622	2,667
30-34	2,804	2,786	2,746	2,717	2,711
35-39	2,811	2,821	2,861	2,910	2,939
40-44	2,842	2,887	2,901	2,898	2,890
45-49	2,589	2,651	2,720	2,779	2,828
50-54	2,221	2,289	2,360	2,436	2,514
55-59	1,798	1,899	2,012	2,101	2,142
60-64	1,328	1,394	1,458	1,535	1,654
65+	3,812	3,874	3,942	4,012	4,096
Total	35,832	36,392	36,934	37,480	38,036